

Chapter 2: FSP Administrative Costs

This chapter provides background information on FSP administrative costs. These data were analyzed for two purposes: to provide descriptive information that has not been widely available, and as a starting point for the analysis of certification-related costs and errors.

The chapter begins with a description of FSP administrative costs from the national perspective, including the average costs of certification and other major functions, and the trends in the costs of the major functions over time. Next, the chapter presents State-level averages, followed by a discussion of differences in FSP administrative costs by FNS region. The regional analysis allows States' administrative costs to be compared with those of their peers in the same region.

The analysis uses data for the study period (1989-2001) provided by FNS from the agency's National Data Bank. FNS compiled these data from State cost reports, which include both State and local administrative costs. The sources of the FSP administrative cost data, the cost reporting categories, and the methods used to analyze them are described in Appendix A. Supplementary information on the variation of administrative costs per FSP household across States and over time is provided in Appendix B, which also discusses the issues involved in modeling this variation. The costs represented in this report do not include expenditures for FNS' own operations and contracts for FSP administration.

National Summary of FSP Administrative Costs

In this section, we present a national summary of the trends and composition of FSP administrative costs. The estimates in this section were computed by adding up State totals. States with large numbers of participants make up a greater proportion of the national cost totals than smaller States. Therefore, the larger States have more influence on the national data. In the subsequent sections, the presentation of average FSP administrative costs at the State and Regional level gives all States equal weight.

Total FSP Administrative Costs

As shown in table 1, the grand total annual cost of FSP administration for the U.S. rose from \$2.96 billion in 1989 to \$4.44 billion in 2001, an increase of 50%. (All cost estimates in this report are in 2001 dollars, so inflation was not a factor in this increase.) The average annual U.S. grand total between 1989 and 2001 was \$3.68 billion, of which \$2.17 billion was for certification.

At the national level, the grand total FSP administrative cost increased steadily over the period (even after adjusting for inflation). Of the individual cost categories shown in the table, all but one (the "unspecified other" total) increased between 1989 and 2001. The cost categories correspond to the FSP administrative activities described in Chapter One. Further information on the cost categories is provided in Appendix A.

Different trends were observed in the total costs of several categories. Total benefit issuance costs rose steadily until their peak of \$0.32 billion in 1996, then declined over the next five years, the period when most States replaced coupon issuance with electronic benefit transfer (EBT). Total fraud control costs increased steadily until 1997, when these costs essentially reached a plateau. Total automated data processing (ADP) development costs fluctuated over the period, peaking in 1995, which was the first full fiscal year after the federal share was reduced to 50 percent.

Table 1**Average Annual Total FSP Administrative Cost in Billions of 2001 Dollars, Total and Components for U.S., 1989-2001**

| Fiscal Year | Total Cost | Certification | Issuance | Fraud | ADP operations | ADP development | E&T | Miscellaneous | FSNE | Unsp. Other |
|--------------------------------|------------|---------------|----------|-------|----------------|-----------------|------|---------------|---------------------|-------------|
| 1989 | 2.96 | 1.72 | 0.21 | 0.11 | 0.16 | 0.04 | 0.22 | 0.09 | . | 0.42 |
| 1990 | 3.05 | 1.79 | 0.21 | 0.12 | 0.16 | 0.03 | 0.26 | 0.09 | . | 0.39 |
| 1991 | 3.16 | 1.88 | 0.23 | 0.12 | 0.16 | 0.05 | 0.25 | 0.09 | . | 0.38 |
| 1992 | 3.32 | 1.99 | 0.26 | 0.13 | 0.19 | 0.04 | 0.23 | 0.09 | . | 0.39 |
| 1993 | 3.41 | 2.03 | 0.28 | 0.15 | 0.19 | 0.04 | 0.23 | 0.09 | . | 0.41 |
| 1994 | 3.59 | 2.11 | 0.31 | 0.20 | 0.19 | 0.06 | 0.22 | 0.09 | 0.01 | 0.40 |
| 1995 | 3.76 | 2.20 | 0.31 | 0.21 | 0.21 | 0.08 | 0.27 | 0.10 | 0.02 | 0.36 |
| 1996 | 3.84 | 2.26 | 0.32 | 0.22 | 0.22 | 0.07 | 0.24 | 0.10 | 0.05 | 0.37 |
| 1997 | 3.88 | 2.26 | 0.30 | 0.24 | 0.22 | 0.06 | 0.25 | 0.10 | 0.07 | 0.37 |
| 1998 | 3.95 | 2.30 | 0.30 | 0.24 | 0.26 | 0.07 | 0.25 | 0.12 | 0.10 | 0.33 |
| 1999 | 4.18 | 2.46 | 0.29 | 0.24 | 0.28 | 0.07 | 0.27 | 0.12 | 0.12 | 0.32 |
| 2000 | 4.30 | 2.57 | 0.28 | 0.23 | 0.29 | 0.06 | 0.28 | 0.13 | 0.15 | 0.32 |
| 2001 | 4.44 | 2.65 | 0.27 | 0.24 | 0.28 | 0.06 | 0.30 | 0.14 | 0.17 | 0.32 |
| Mean | 3.68 | 2.17 | 0.27 | 0.19 | 0.22 | 0.06 | 0.25 | 0.10 | 0.05 ^a | 0.37 |
| Dollar Change ('89 v. '01) | 1.48 | 0.93 | 0.06 | 0.13 | 0.12 | 0.02 | 0.08 | 0.05 | 0.16 ^a | -0.1 |
| Percentage Change ('89 v. '01) | 49.6 | 54.3 | 31.2 | 122.9 | 72.9 | 65.6 | 40.2 | 50.8 | 1600.0 ^a | -24.4 |

^a Mean for FSNE is for all years. Mean FSNE cost for 1994-2001 was \$0.09 billion. Dollar and percentage change are from 1994 to 2001.

Total ADP operations costs rose intermittently until they peaked in 2000 before slightly declining in 2001. Total employment and training (E&T) costs fluctuated up and down but showed an overall increasing trend. The total costs for the group of activities in the “miscellaneous” category began rising in 1994 and increased more from 1997 to 2001.¹ Food Stamp Nutrition Education (FSNE) costs were not reported before 1994, but they showed the most dramatic percentage rate of increase: 1600% over eight years.² The dollar increase in FSNE was much less dramatic, due to the small size of this program component. Among costs reported for all thirteen years (from 1989 to 2001), the percentage largest increases were in fraud control (123%) and ADP operations (73%), while the smallest increases were in issuance (31%) and E&T (40%). Only the unspecified other total declined over the period (by 24% from 1989 to 2001).³

Figure 2 shows the percentage distribution of the national total FSP administrative cost for the period

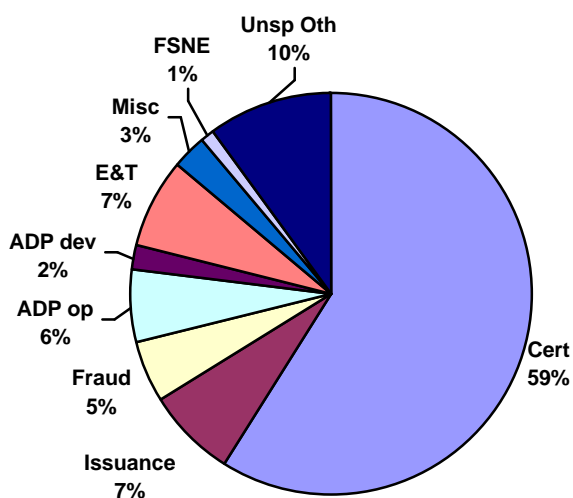
¹ The “miscellaneous” costs include quality control, fair hearings, System for Alien Verification of Eligibility (SAVE), outreach, management evaluation, and demonstration/evaluation projects.

² FY1992 was the first year when States operated approved plans for FSNE. Prior to FY1994, FSNE costs were included in the “unspecified other” category. The Federal share of the FY1992 FSNE cost was \$661,000 (in 1992 dollars); only 7 States had approved FSNE plans for that year. (Source: <http://www.nal.usda.gov/foodstamp/pdf/FNSFactSheet03.pdf>.)

³ Possible explanations for the decline in total unspecified other costs include more careful allocation of direct or indirect costs that should be reported elsewhere; actual reduction in spending; or a combination of these factors.

Figure 2

Percent of Total FSP Administrative Cost by Component for U.S. (in 2001 Dollars), 1989-2001



(summed over all 13 years) among the analysis categories. Certification was by far the largest category, representing three-fifths (59%) of the total. The next largest categories were unspecified other (10%), issuance (7%), E&T (7%), and ADP operations (6%). The smallest categories were miscellaneous, fraud control, FSNE, and ADP development. The small share for FSNE for the period as a whole (1%) was in part due to this category being added in 1994. In 2001, FSNE costs were 4% of the national total FSP administrative cost, while certification costs were 60% and unspecified other costs were 7% of the national total.

Administrative Costs per FSP Household: Averages and Trends

As shown in table 2, the average total annual administrative cost per FSP household for the U.S. from 1989 to 2001 was \$407.95.⁴ The average annual certification cost was \$240.49 per FSP household. The average unspecified other cost was \$40.70 per FSP household; the average issuance cost was \$30.50 per FSP household. For FSNE, the overall average for 1989-2001 was \$5.83 per FSP household; the average for the years with non-zero totals (1994-2001) was \$9.42. The averages for other components ranged from \$6.22 per FSP household (for ADP development) to \$27.81 per FSP household (for E&T).

⁴ The averages for the entire period in this table were computed by totaling the costs over all years and dividing by the sum of annual counts of FSP households. Thus, years with higher participation have more impact on the averages. The FSP household counts are averages of monthly data, not counts of the number of households participating at some time during the year, so the annual cost per FSP household is more precisely the ratio of the annual cost to the annual average number of participating households. The unweighted arithmetic average of the annual total cost per FSP household was \$420.31, or 3 percent more than the amount reported in table 3. The differences between the averages in table 3 and unweighted averages for the cost components are 1 to 4 percent, except for FSNE (which had much more dramatic differences over time in the annual cost per FSP household).

Table 2**Average Annual FSP Administrative Cost per Household in 2001 Dollars, Total and Components for U.S., 1989-2001**

| Fiscal Year | Total Cost | Cert | Issuance | Fraud | ADP op | ADP dev | E&T | Misc | FSNE | Unsp Oth |
|--------------------------|------------|--------|----------|-------|--------|---------|-------|-------|-------------------|----------|
| 1989 | 411.19 | 238.66 | 29.01 | 15.13 | 22.53 | 5.11 | 29.90 | 12.49 | . | 58.34 |
| 1990 | 393.34 | 230.87 | 27.31 | 15.49 | 20.62 | 3.79 | 33.37 | 11.33 | . | 50.57 |
| 1991 | 355.77 | 212.38 | 25.39 | 13.70 | 18.59 | 5.70 | 27.75 | 9.87 | . | 42.38 |
| 1992 | 330.69 | 197.53 | 26.13 | 13.12 | 19.21 | 4.09 | 22.95 | 8.49 | . | 39.17 |
| 1993 | 316.35 | 188.19 | 25.71 | 13.93 | 17.74 | 3.60 | 21.05 | 8.34 | . | 37.79 |
| 1994 | 323.84 | 190.49 | 27.83 | 17.84 | 17.20 | 5.09 | 20.04 | 8.44 | 0.94 | 35.98 |
| 1995 | 345.92 | 202.29 | 28.98 | 19.39 | 19.45 | 7.14 | 24.52 | 9.40 | 2.00 | 32.73 |
| 1996 | 364.68 | 214.46 | 30.82 | 20.87 | 21.11 | 6.62 | 22.57 | 9.12 | 4.31 | 34.81 |
| 1997 | 411.31 | 240.14 | 32.13 | 25.46 | 23.23 | 6.50 | 26.65 | 10.25 | 7.26 | 39.69 |
| 1998 | 479.99 | 278.77 | 35.97 | 29.07 | 30.98 | 8.95 | 30.46 | 14.28 | 11.57 | 39.95 |
| 1999 | 546.33 | 321.20 | 38.16 | 31.89 | 36.27 | 9.66 | 35.43 | 15.92 | 16.10 | 41.68 |
| 2000 | 588.11 | 350.72 | 37.61 | 31.93 | 39.59 | 7.94 | 38.16 | 17.57 | 20.93 | 43.67 |
| 2001 | 596.54 | 356.98 | 36.89 | 32.70 | 37.77 | 8.21 | 40.66 | 18.27 | 22.32 | 42.73 |
| Average ^a | 407.95 | 240.49 | 30.50 | 21.00 | 24.04 | 6.22 | 27.81 | 11.37 | 5.83 ^b | 40.70 |
| Coefficient of Variation | 0.24 | 0.24 | 0.15 | 0.35 | 0.33 | 0.31 | 0.23 | 0.30 | 0.79 | 0.16 |

^a Average is sum of annual totals divided by sum of annual counts of participating households.

^b FSNE annual average for 1994-2001 was \$9.42 per household.

Table 2 provides the coefficient of variation (CV) as an indicator of the variability of the annual U.S. average cost per FSP household over time. The CV of 0.24 for the total annual administrative cost per FSP household means that the standard deviation of this variable was 24 percent of the mean.⁵ Among the components of the total FSP administrative cost per household, the U.S. average FSNE cost per FSP household was the most variable from year to year, and the issuance cost was the least variable (using the CV as the measure of variability).

Figure 3 compares the national trends in total administrative cost per FSP household, certification cost per FSP household, and participating FSP households. The number of FSP households rose from 7.2 million in 1989 to 11.0 million in 1994, then declined to 7.3 million in 2000 before rising slightly to 7.4 million in 2001.⁶ As the number of FSP households rose, the total administrative cost per FSP household declined—from \$411 per FSP household in 1989 to \$316 per FSP household in 1993. Conversely, as the number of FSP households fell from 1994 to 2000, the total cost per FSP household increased. A nearly identical trend occurred in the national certification cost per FSP household.

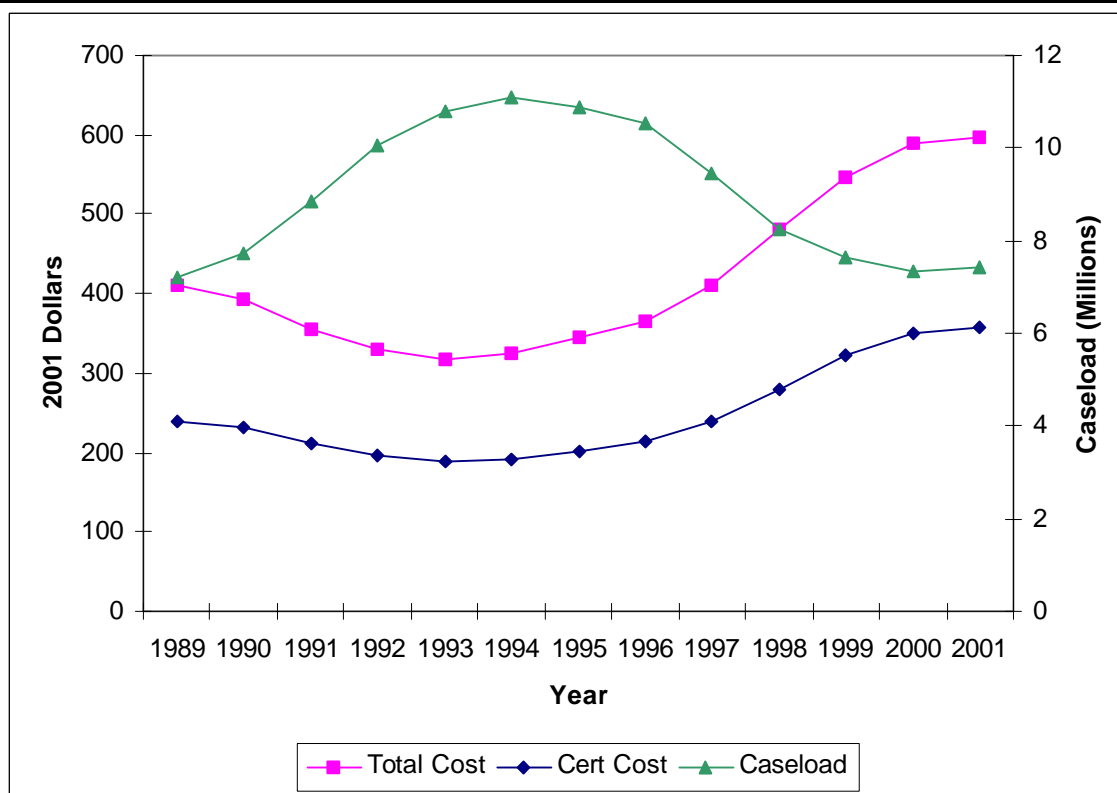
However, the trends in total and certification costs after 1993 did not simply reverse the previous trends. The upward trend in the cost measure began in 1994, as FSP participation was peaking. The cost per FSP household in 1989 was matched in 1997, when there were 2.2 million more participating households.

⁵ We report the CV rather than the standard deviation to provide clearer comparisons among variables with large differences in averages. The standard deviation gives equal weight to all years, so the unweighted average of annual values was used in computing the CV. As noted above, the difference between the weighted and unweighted averages was small for all categories except FSNE.

⁶ Beyond the study period, the number of participating FSP households increased to 8.2 million in FY2002 and 9.2 million in FY2003.

Figure 3

Average Annual Total FSP Administrative and Certification Costs per Household (in 2001 Dollars) and FSP Caseload of Participating Households for U.S., 1989-2001



Thus, the chart can be interpreted as reflecting a combination of two trends: a cyclical pattern and a non-cyclical long-term trend. Under the cyclical pattern, the costs per FSP household tended to increase as FSP participation decreased, and vice versa. In addition, there was a general trend of increasing costs per FSP household, at least starting in 1994, independent of the number of the number of households.

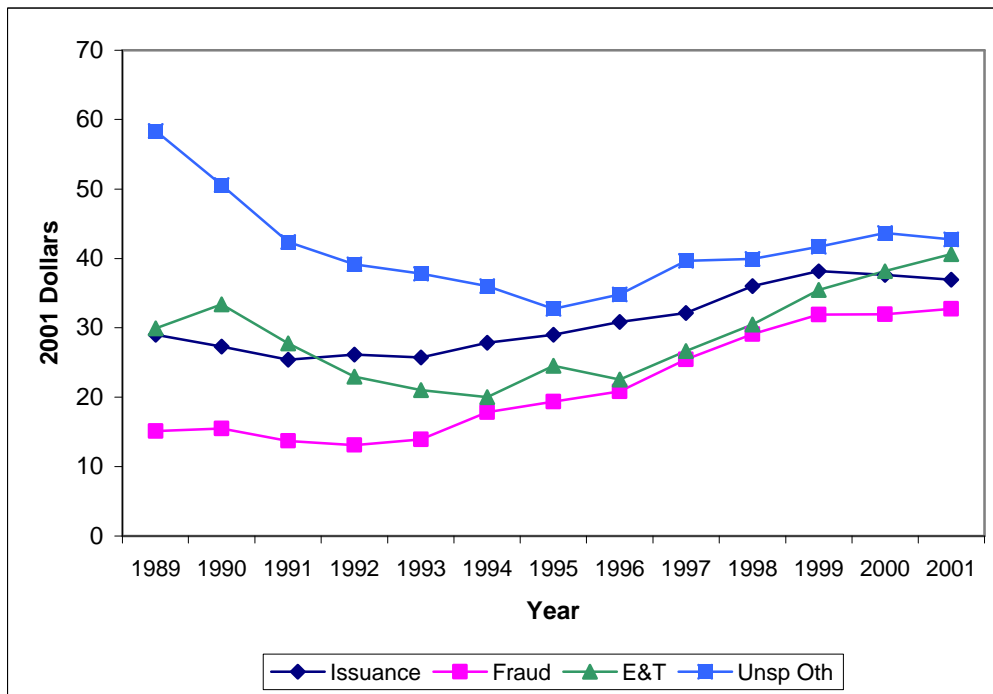
Figure 4 compares the national trends in the FSP administrative cost categories of issuance, fraud control, E&T, and unspecified other. The unspecified other cost per FSP household declined almost 50 percent from 1989 to 1995, then increased more gradually in 1996 through 2001. This was the only category of cost that ended the period at a lower cost per FSP household than at the beginning. The unspecified other cost may have declined (at least in part) because of changes in cost reporting procedures, such that costs that were previously reported as “unspecified other” were instead reported in other categories.⁷ Issuance and fraud control costs per FSP household declined slightly between 1989 and 1993, then rose steadily until 1999 and remained nearly flat thereafter. The E&T cost per FSP household largely followed the same long-term trend as the total cost per FSP household, dropping to the lowest point in 1994, but with up-ticks relative to the long-term trend in 1990 and 1995.

Figure 5 shows the national trends in the cost per FSP household for ADP operations, ADP development, FSNE, and the minor reporting categories pooled in the “miscellaneous” analysis category. The cost per

⁷ This interpretation is based on discussions with FNS financial management officials.

Figure 4

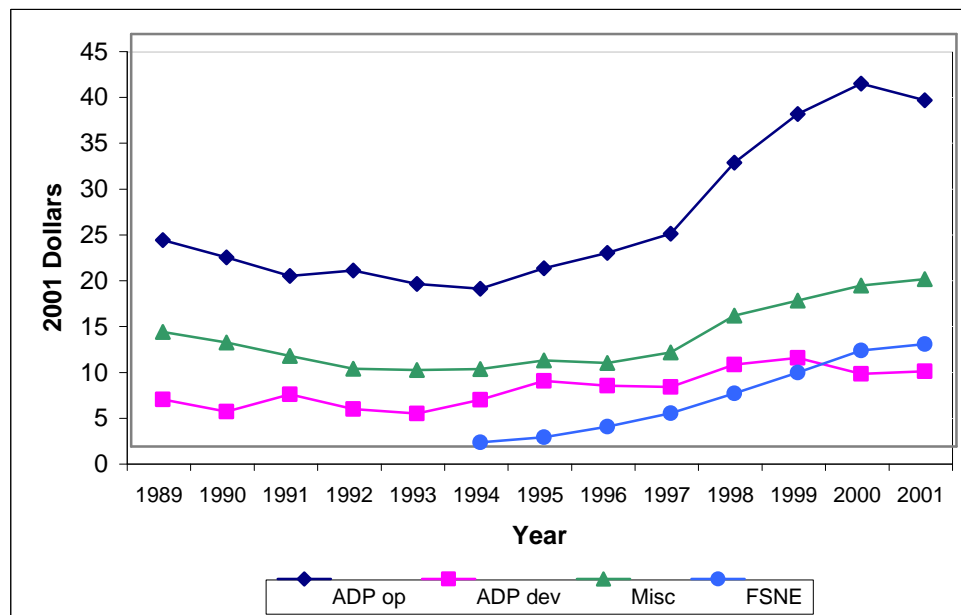
Average Annual FSP Administrative Cost per Household for U.S., 1989-2001: Issuance, Fraud Control, E&T, and Unspecified-Other Costs (in 2001 Dollars)



Note: "Unsp Oth" is unspecified other (costs not reported elsewhere). "Fraud" is fraud control.

Figure 5

Average Annual FSP Administrative Cost per Household for U.S., 1989-2001: ADP Operations, ADP Development, Miscellaneous, and FSNE Costs (in 2001 Dollars)



Note: FSNE=Food Stamp Nutrition Education. Costs for FSNE were first reported in FY1994.

FSP household for ADP operations and miscellaneous expenses generally followed the trend of the total cost per FSP household, though the rate of increase in ADP operations from 1994 to 2000 was much greater than for the total. The ADP development cost per FSP household fluctuated up and down over the period, with a slight long-term trend of increase.⁸ The FSNE cost per FSP household increased very dramatically from 1994 (the first year of reporting in this category) to 2001.

The federal share of the costs estimated for this analysis (i.e., the rate of federal financial participation or FFP) varied among the categories of costs for two main reasons. First, the **statutory** rate of FFP varied among cost categories. Prior to April 1994, the Food Stamp Act authorized enhanced FFP for ADP development, fraud control, and the System for Alien Verification of Eligibility (SAVE, part of the miscellaneous category in the analysis). Throughout the period, FNS provided the States a portion of E&T funding in a grant that did not require any non-Federal match (the “100 percent E&T grant”).⁹

Although most of the fraud control cost estimated for this analysis had 50 percent FFP or more, this analysis category included the “reinvestment” reporting category, which represents 100 percent non-Federal funds spent on error reduction.¹⁰

Second, for certification costs, the **actual** rate of FFP could be less than the **statutory** rate. Starting in 1999, most States were required to deduct a specified amount (which varied by State) from the Federal share of certification cost. This deduction represented the portion of the State’s TANF grant deemed to be attributable to FSP costs that were previously allocated to the AFDC program.¹¹ Thus the actual non-Federal share was 50 percent of the total certification cost plus the amount of the adjustment.¹²

Figure 6 illustrates the average Federal and non-Federal shares of the total cost and certification cost per FSP household for the U.S. in 1989-2001. Despite the various forms of enhanced FFP, the Federal share was almost exactly half (50.3%) of the average total cost per FSP household. The Federal share of the certification cost per FSP household was 47.9%, due to the reduced FFP in 1999-2001.

Figure 7 illustrates the average Federal and non-Federal shares of the cost per FSP household in the remaining cost categories for the U.S. in 1989-2001. The cost categories with enhanced FFP were fraud control (54.6% average FFP), ADP development (54.4% average FFP), and E&T (67.8% average FFP). The average FFP over the period for fraud control and ADP development reflects the changing official rate of FFP. For E&T, the average FFP reflected the combination of the 100% FFP in the E&T grants and the 50% FFP in other categories.

⁸ The increases in ADP development and operations costs may reflect the use of on-line application processing for the FSP and other means-tested programs. Numerous States switched to this approach in the 1990’s, in place of paper application processing followed by key entry and batch processing.

⁹ Further information on the statutory rate of FFP is provided in Appendix A.

¹⁰ States entered into reinvestment agreements with FNS to spend State funds on error reduction in lieu of financial sanctions for excessive error rates, as discussed in Chapter 4.

¹¹ The legal requirement was enacted in the Agricultural Research, Extension, and Education Reform Act of 1997 (P.L. 105-185). The Department of Health and Human Services made the determination of the deductions, based on the estimated portion of TANF grants that included the FSP share of common administrative costs.

¹² The researchers used the federal outlays and the statutory FFP to estimate total costs for most categories. This approach eliminated another potential source of variation in the actual rate of FFP. See Appendix A.

Figure 6

Federal and State Shares of FSP Administrative Costs: Total and Certification (in 2001 Dollars)

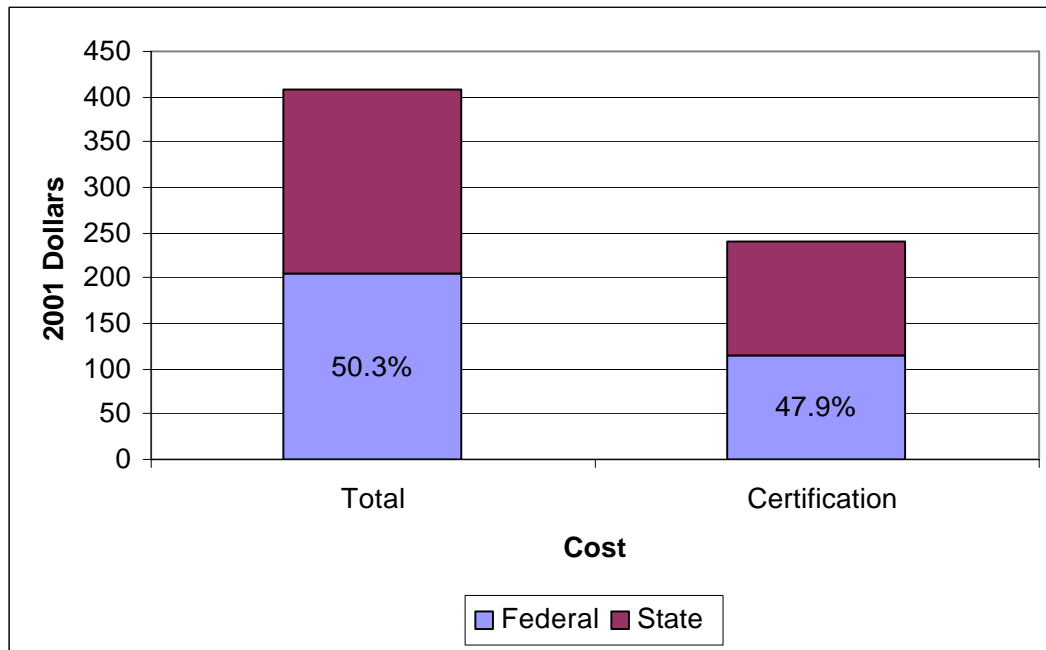
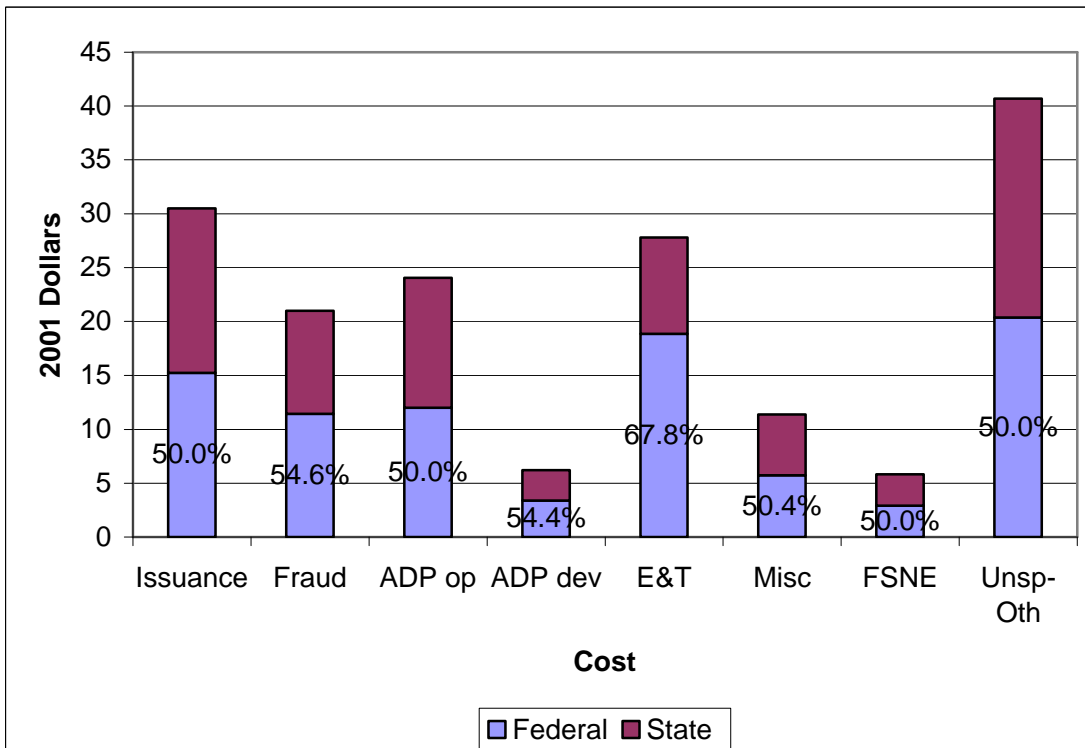


Figure 7

Federal and State Shares of FSP Administrative Cost: Other Components (in 2001 Dollars)



Variation in Costs among States

This section of the chapter describes the variation in the total administrative cost per FSP household and its components among the States. There is intrinsic interest in how much these costs vary among the States. Furthermore, the patterns of variation in administrative costs, particularly certification-related costs, are relevant to their potential contribution to variation in error rates. This section references the weighted national averages from the preceding section, but other statistics on the distribution of costs give each State's data equal weight.

Table 3 presents the average annual cost per FSP household for each State from 1989 to 2001, including the total and its components. Each State's values represent the weighted average, i.e., the total cost for the period in 2001 dollars divided by the sum of the average number of participating households.¹³ Thus, the figures represent the average annual amount spent per FSP household over the entire period, and years with higher levels of FSP participation have more weight. The distribution of State weighted averages is summarized at the end of the table, including the 25th, 50th (median), and 75th percentiles, as well as the minimum, the maximum, and the weighted national average (using State FSP caseloads as weights, as in table 2).¹⁴

This table shows a wide range among the States in the average annual total cost per FSP household, from a minimum of \$149 (in West Virginia) to a maximum of \$1165 (in Alaska). Half of the States had an average annual total cost between \$338 and \$468 per FSP household (the range between the 25th and 75th percentiles). The range of average annual certification cost per FSP household was from \$86 (in New Hampshire) to \$643 (in Alaska), while half of the States had average annual certification costs between \$165 and \$279 per FSP household. The other cost categories had similarly skewed distributions, with a much greater difference between the maximum and the median than between the median and the minimum. For the total cost and most components, the median State average was within 10 percent of the weighted national average, but there were notable differences in fraud control, E&T, miscellaneous, and unspecified other. More often than not, the weighted national average was greater than the unweighted median, implying that a minority of States with relatively high costs had disproportionate influence on the national average.

¹³ Let C_t be the cost in a State during year t and let N_t be the number of households served during that year.

$$AVG = \frac{\sum N_t \frac{C_t}{N_t}}{\sum N_t} = \frac{\sum C_t}{\sum N_t} \text{ where the sums are over } t.$$

¹⁴ The parameters representing the distribution are unweighted, because the purpose is to describe the variation among States rather than the nation as a whole.

Table 3**Weighted Average Annual Cost per FSP Household in 2001 Dollars by State, 1989-2001**

| State | Total Cost | Cert | Issuance | Fraud | ADP op | ADP dev | E&T | Misc. | FSNE | Unsp. Oth. |
|----------------------|-------------------|-------------|-----------------|--------------|---------------|----------------|----------------|--------------|-------------|-------------------|
| Alabama | 328.55 | 199.34 | 26.67 | 15.50 | 5.51 | 0.95 | 10.88 | 9.45 | 9.95 | 50.29 |
| Alaska | 1164.71 | 643.38 | 200.51 | 50.88 | 183.70 | 7.69 | 39.03 | 39.26 | 0.00 | 0.25 |
| Arizona | 339.30 | 191.36 | 29.44 | 13.44 | 17.46 | 3.19 | 11.20 | 11.63 | 1.98 | 59.59 |
| Arkansas | 351.53 | 239.62 | 24.27 | 18.22 | 12.41 | 8.77 | 16.53 | 18.60 | 10.05 | 3.04 |
| California | 572.85 | 294.19 | 31.06 | 45.65 | 20.42 | 13.80 | 31.27 | 12.87 | 3.16 | 120.43 |
| Colorado | 335.77 | 167.57 | 32.77 | 21.40 | 20.16 | 7.77 | 41.85 | 3.65 | 10.96 | 29.65 |
| Connecticut | 401.16 | 149.64 | 27.95 | 16.02 | 43.73 | 3.90 | 8.35 | 17.76 | 11.20 | 122.62 |
| Delaware | 615.60 | 382.87 | 27.65 | 35.47 | 58.79 | 43.40 | 46.87 | 20.49 | 0.00 | 0.05 |
| District of Columbia | 463.70 | 295.81 | 42.33 | 14.55 | 52.86 | 6.42 | 13.78 | 36.92 | 0.00 | 1.04 |
| Florida | 347.26 | 246.53 | 24.70 | 15.09 | 18.44 | 6.03 | 15.33 | 5.23 | 2.69 | 13.21 |
| Georgia | 415.17 | 267.60 | 23.51 | 27.80 | 38.83 | 4.28 | 12.57 | 3.53 | 6.19 | 30.86 |
| Hawaii | 397.67 | 246.04 | 21.01 | 26.66 | 43.70 | 4.30 | 26.05 | 12.72 | 0.12 | 17.08 |
| Idaho | 472.72 | 272.95 | 70.17 | 10.84 | 66.55 | 0.90 | 27.61 | 9.77 | 13.80 | 0.12 |
| Illinois | 339.96 | 162.89 | 20.90 | 5.68 | 14.57 | 1.37 | 43.49 | 5.09 | 5.62 | 80.35 |
| Indiana | 399.11 | 148.03 | 51.49 | 4.46 | 24.62 | 8.99 | 70.98 | 6.06 | 4.91 | 79.59 |
| Iowa | 322.81 | 223.40 | 22.37 | 12.62 | 16.53 | 2.67 | 10.67 | 16.07 | 8.35 | 10.12 |
| Kansas | 291.95 | 171.83 | 15.83 | 2.79 | 15.00 | 6.20 | 17.77 | 11.91 | 16.05 | 34.56 |
| Kentucky | 330.83 | 227.88 | 23.71 | 10.30 | 31.70 | 0.37 | 18.46 | 14.53 | 0.96 | 2.92 |
| Louisiana | 308.62 | 237.61 | 29.70 | 11.25 | 5.87 | 1.93 | 11.22 | 7.58 | 2.20 | 1.25 |
| Maine | 272.36 | 152.07 | 15.86 | 5.34 | 9.04 | 8.76 | 14.18 | 12.76 | 24.28 | 30.07 |
| Maryland | 390.90 | 248.64 | 62.52 | 6.47 | 30.30 | 25.66 | 3.60 | 13.39 | 0.31 | 0.00 |
| Massachusetts | 421.91 | 239.42 | 29.16 | 30.93 | 5.91 | 12.92 | 35.34 | 26.53 | 4.89 | 36.81 |
| Michigan | 337.59 | 155.92 | 15.40 | 15.95 | 9.87 | 5.81 | 24.62 | 9.21 | 7.71 | 93.11 |
| Minnesota | 522.22 | 296.66 | 36.78 | 18.72 | 39.83 | 7.10 | 46.52 | 16.23 | 35.57 | 24.82 |
| Mississippi | 282.99 | 170.51 | 33.82 | 8.29 | 19.30 | 1.18 | 15.89 | 9.49 | 5.53 | 18.98 |
| Missouri | 328.40 | 244.45 | 18.91 | 7.01 | 9.90 | 15.63 | 8.92 | 9.19 | 11.50 | 2.89 |
| Montana | 498.55 | 245.37 | 25.13 | 9.85 | 49.12 | 12.52 | 45.10 | 19.41 | 11.60 | 80.47 |
| Nebraska | 399.25 | 208.88 | 42.78 | 9.05 | 54.30 | 26.37 | 18.40 | 15.15 | 9.71 | 14.61 |
| Nevada | 383.15 | 278.63 | 10.64 | 19.69 | 6.91 | 40.27 | 9.14 | 15.81 | 1.78 | 0.27 |
| New Hampshire | 355.70 | 85.51 | 30.18 | 9.46 | 71.57 | 34.46 | 26.71 | 13.87 | 19.07 | 64.86 |
| New Jersey | 665.91 | 405.05 | 33.65 | 100.22 | 71.78 | 8.35 | 19.66 | 19.79 | 2.33 | 5.08 |
| New Mexico | 404.57 | 253.09 | 26.14 | 8.99 | 46.27 | 0.00 | 35.43 | 20.89 | 12.75 | 1.00 |
| New York | 449.18 | 249.71 | 38.93 | 34.30 | 25.70 | 0.21 | 40.33 | 11.55 | 3.35 | 45.09 |
| North Carolina | 359.13 | 238.22 | 29.95 | 16.90 | 19.60 | 0.44 | 15.85 | 7.18 | 12.17 | 18.81 |
| North Dakota | 525.51 | 286.06 | 54.39 | 4.56 | 58.98 | 0.00 | 10.23 | 17.27 | 41.40 | 52.60 |
| Ohio | 360.59 | 160.46 | 31.12 | 23.72 | 18.47 | 2.59 | 39.57 | 14.24 | 3.81 | 66.61 |
| Oklahoma | 399.93 | 292.12 | 35.53 | 15.28 | 23.49 | 3.78 | 8.79 | 11.07 | 9.48 | 0.38 |
| Oregon | 377.33 | 113.86 | 30.78 | 15.77 | 25.19 | 1.55 | 25.63 | 14.32 | 5.65 | 144.59 |
| Pennsylvania | 447.40 | 309.13 | 23.94 | 15.34 | 29.52 | 1.18 | 62.52 | 3.16 | 1.50 | 1.11 |
| Rhode Island | 362.54 | 114.51 | 33.31 | 15.01 | 30.08 | 5.22 | 3.46 | 18.63 | 1.24 | 141.09 |
| South Carolina | 327.69 | 204.77 | 37.10 | 17.31 | 5.52 | 1.32 | 15.83 | 8.87 | 5.07 | 31.91 |
| South Dakota | 536.39 | 258.25 | 61.51 | 7.55 | 35.23 | 0.00 | 35.10 | 27.61 | 9.38 | 101.76 |

(continued)

Table 3**Average Annual Cost per FSP Household in 2001 Dollars by State for Total and Components, 1989-2001 (continued)**

| State | Total Cost | Cert | Issuance | Fraud | ADP op | ADP dev | E&T | Misc. | FSNE | Unsp. Oth. |
|------------------------|------------|--------|----------|--------|--------|---------|--------|-------|-------|------------|
| Tennessee | 250.62 | 148.73 | 22.44 | 10.15 | 23.36 | 6.02 | 10.48 | 5.34 | 5.07 | 19.03 |
| Texas | 390.13 | 280.01 | 32.09 | 6.88 | 27.52 | 8.76 | 20.43 | 11.71 | 2.74 | 0.00 |
| Utah | 548.30 | 385.71 | 41.49 | 30.77 | 17.55 | 5.69 | 48.16 | 13.88 | 5.04 | 0.00 |
| Vermont | 431.34 | 86.65 | 54.10 | 6.57 | 14.74 | 0.39 | 159.85 | 37.33 | 9.78 | 61.93 |
| Virginia | 551.31 | 419.85 | 41.39 | 7.14 | 34.41 | 3.51 | 19.68 | 16.00 | 8.28 | 1.06 |
| Washington | 444.91 | 321.49 | 31.12 | 21.16 | 15.37 | 13.35 | 9.72 | 27.52 | 4.10 | 1.08 |
| West Virginia | 149.05 | 91.56 | 14.39 | 8.65 | 10.41 | 6.26 | 9.78 | 6.50 | 1.50 | 0.00 |
| Wisconsin | 623.40 | 247.57 | 55.22 | 42.42 | 69.95 | 11.45 | 100.38 | 20.30 | 39.91 | 36.20 |
| Wyoming | 547.32 | 146.29 | 31.29 | 15.42 | 113.84 | 5.47 | 16.56 | 33.31 | 29.83 | 155.32 |
| U.S. Average (wtd.) | 407.95 | 240.49 | 30.50 | 21.00 | 24.04 | 6.22 | 27.81 | 11.37 | 5.83 | 40.70 |
| Unweighted statistics: | | | | | | | | | | |
| Minimum | 149.05 | 85.51 | 10.64 | 2.79 | 5.51 | 0.00 | 3.46 | 3.16 | 0.00 | 0.00 |
| 25th Percentile | 338.44 | 165.23 | 24.10 | 8.82 | 15.19 | 1.46 | 11.21 | 9.33 | 2.51 | 1.10 |
| Median | 397.67 | 239.62 | 30.78 | 15.09 | 24.62 | 5.69 | 18.46 | 13.87 | 5.62 | 19.03 |
| 75th Percentile | 468.21 | 279.32 | 38.01 | 20.43 | 43.71 | 8.77 | 37.23 | 18.61 | 11.08 | 60.76 |
| Maximum | 1164.71 | 643.38 | 200.51 | 100.22 | 183.70 | 43.40 | 159.85 | 39.26 | 41.40 | 155.32 |

In table 4, the States are listed in order of their average annual total administrative cost per FSP household, from the least to the greatest. The weighted U.S. average is included. As the table shows, three-fifths of the States (31) had average total administrative costs per FSP household below the U.S. average. The five States with the least administrative costs per FSP household were West Virginia, Tennessee, Maine, Mississippi, and Kansas. The greatest administrative costs per FSP household were in Alaska, New Jersey, Wisconsin, Delaware, and California.¹⁵

¹⁵ The unweighted mean of the State averages in table 4 was \$422.45 per FSP household, and the coefficient of variation (CV, the ratio of the standard deviation to the mean) was 0.35. These figures include Alaska, which had an average that was more than 3 standard deviations above the mean of the State averages. Excluding Alaska, the unweighted mean of the State average total costs per FSP household was \$407.60 and the CV was .25.

Table 4**States Sorted by Average Annual Total FSP Administrative Cost per Household
(in 2001 Dollars), 1989-2001**

| State | Total Cost |
|------------------------------|-------------------|
| West Virginia | 149.05 |
| Tennessee | 250.62 |
| Maine | 272.36 |
| Mississippi | 282.99 |
| Kansas | 291.95 |
| Louisiana | 308.62 |
| Iowa | 322.81 |
| South Carolina | 327.69 |
| Missouri | 328.40 |
| Alabama | 328.55 |
| Kentucky | 330.83 |
| Colorado | 335.77 |
| Michigan | 337.59 |
| Arizona | 339.30 |
| Illinois | 339.96 |
| Florida | 347.26 |
| Arkansas | 351.53 |
| New Hampshire | 355.70 |
| North Carolina | 359.13 |
| Ohio | 360.59 |
| Rhode Island | 362.54 |
| Oregon | 377.33 |
| Nevada | 383.15 |
| Texas | 390.13 |
| Maryland | 390.90 |
| Hawaii | 397.67 |
| Indiana | 399.11 |
| Nebraska | 399.25 |
| Oklahoma | 399.93 |
| Connecticut | 401.16 |
| New Mexico | 404.57 |
| U.S. weighted average | 407.95 |
| Georgia | 415.17 |
| Massachusetts | 421.91 |
| Vermont | 431.34 |
| Washington | 444.91 |
| Pennsylvania | 447.40 |
| New York | 449.18 |
| District of Columbia | 463.70 |
| Idaho | 472.72 |
| Montana | 498.55 |
| Minnesota | 522.22 |
| North Dakota | 525.51 |
| South Dakota | 536.39 |
| Wyoming | 547.32 |
| Utah | 548.30 |
| Virginia | 551.31 |
| California | 572.85 |
| Delaware | 615.60 |
| Wisconsin | 623.40 |
| New Jersey | 665.91 |
| Alaska | 1164.71 |

As shown in table 5, there was a highly significant negative correlation in cross-sectional data between the certification cost per FSP household and the unspecified other cost per FSP household. The values ranged from –0.350 to –0.508, with significance at the 1 percent level in every year. Thus, it is clear that States with high certification costs per FSP household had low costs in the unspecified other category, and vice versa. Because of the “catch-all” nature of the unspecified other category, it is difficult to interpret this relationship. One possible explanation is that some States assigned costs to certification that other States assigned to the unspecified other category. Early in the history of the FSP, many States assigned their indirect costs for all FSP operations to the unspecified other category. Several years before 1989, FNS instructed States to change this practice and allocate indirect costs among the other categories, but there may have been a lag. Regardless of the reason, **this relationship provides a reason for caution about assuming that certification costs from 1989 to 2001 were consistently defined and comparable among States.** For this reason, the multivariate analysis for the study did not focus solely on certification costs, but instead used a more inclusive measure of certification-related costs, as discussed in Chapter 5.

Table 5

Correlation of Certification and Unspecified Other Costs per Household Across States for 1989-2001

| Year | Correlation |
|------|-------------|
| 1989 | -0.504*** |
| 1990 | -0.508*** |
| 1991 | -0.402*** |
| 1992 | -0.362*** |
| 1993 | -0.361*** |
| 1994 | -0.350** |
| 1995 | -0.370** |
| 1996 | -0.423*** |
| 1997 | -0.464*** |
| 1998 | -0.506*** |
| 1999 | -0.504*** |
| 2000 | -0.453*** |
| 2001 | -0.396*** |

* Significant at 10% level ** 5% level *** 1% level

FSP Administrative Costs by FNS Region

As shown in table 6, the States in the Mid-Atlantic region had the greatest median annual total cost per FSP household (\$464.29) followed closely by the Mountain-Plains region (\$447.81) and the West region (\$446.36).¹⁶ The smallest median annual total cost per FSP household was in the Southeast region (\$321.76), and the second-smallest regional median was in the Northeast (\$361.22). The rankings of the regional medians varied among the cost components: for example, the Mid-Atlantic region had the greatest median cost per FSP household for certification and ADP operations, but this region had the least median cost per FSP household for unspecified other and FSNE.¹⁷ The results are purely indicators of the associations between costs and State location; they do not establish that the location actually influenced State costs.

Table 6

Median Annual Cost per Household (in 2001 Dollars) by Region, Total and Components, 1989-2001

| Region | Total Cost | Cert | Issuance | Fraud | ADP op | ADP dev | E&T | Misc. | FSNE ^a | Unsp Oth |
|-----------------|------------|--------|----------|-------|--------|---------|-------|-------|-------------------|----------|
| Northeast | 361.22 | 141.75 | 28.99 | 12.46 | 22.09 | 0.00 | 19.26 | 15.45 | 11.76 | 62.14 |
| Mid-Atlantic | 464.29 | 308.20 | 30.14 | 13.33 | 30.89 | 1.87 | 14.82 | 14.64 | 0.00 | 0.00 |
| Southeast | 321.76 | 214.39 | 26.06 | 13.97 | 19.90 | 0.28 | 12.95 | 7.27 | 7.91 | 18.50 |
| Midwest | 396.53 | 184.45 | 33.83 | 14.77 | 23.26 | 1.29 | 45.33 | 8.49 | 13.45 | 51.73 |
| Southwest | 371.37 | 254.59 | 29.42 | 11.99 | 19.35 | 0.23 | 16.83 | 14.58 | 7.26 | 0.00 |
| Mountain-Plains | 447.81 | 234.70 | 27.44 | 9.08 | 25.94 | 0.00 | 19.63 | 14.71 | 18.35 | 22.03 |
| West | 446.36 | 281.21 | 25.88 | 20.44 | 24.46 | 0.73 | 20.48 | 14.22 | 2.25 | 9.56 |

^a FSNE median costs are for 1994-2001.

¹⁶ The median for each region and category was computed among all state-years for the region and thus reflects the overall distribution of the cost per FSP household among the States in the region over time. (A state-year is the observation for a State in a given year.) This approach gives equal weight to each observation, whereas the State means in table 3 effectively give more weight to years with greater numbers of FSP households. Table 6 is intended to reflect the distribution of costs among States over time, whereas table 4 is intended to reflect each State's overall level of spending.

¹⁷ As noted in the table, the FSNE median costs were computed using only the data for 1994-2001. This approach yields higher medians than if the years 1989-1993 had been included, because no States had FSNE costs for those years. The median FSNE cost of \$0.00 per FSP household in the Mid-Atlantic region indicates that at least half of the state-years in this region had costs of \$0 per FSP household, even though only two Mid-Atlantic States had weighted average annual FSNE costs of \$0 per FSP household (as shown in table 4).